STATE OF OREGON
BUREAU OF LABOR

N. O. NILSEN
COMMISSIONER

March 9, 1970

Knutsen Insurance
375-12th Street
Astoria, Oregon 97103

RE: State Dumbwaiter No. 5790

Dear Mr. Knutsen:

In response to your letter of March 6, we wish to advise you that there are no requirements in the American Safety Code which state that a Dumbwaiter must open at floor level. An installation of this type is usually installed per request of the owner. Therefore, we suggest you contact the Portland Elevator Company for further information and explanation.

If we can be of any further assistance, please feel free to contact the Elevator Safety Section.

Very truly yours,

L. D. SISSON, SUPERVISOR
ELEVATOR SAFETY SECTION

Virginia Wasson

Virginia Wasson
Administrative Assistant

LDS:VW:jo
cc: Astoria Golf and Country Club
Portland Elevator Company

Oregon Non-Profit Organizations, Inc.

T. T. TURNER, Executive Secretary, 1101-2 Weatherly Building
Phone 234-3026 — Portland, Oregon 97214

Organized 1951

Athletic Clubs—American Legion
City Clubs—Country Clubs
B. P. O. Elks—F. O. Eagles
Knights of Col.—L. O. O Moose
Veterans of Foreign Wars

Now working together in the O.N.P.O. for the benefit of all.

JULY 1, 1969 VOL. 17 NO. 7

LEGISLATIVE REPORT

O.N.P.O. Legislative Report for the 55 Legislative Assembly has been completed and mailed. We urge that this report be called to the attention of club officers. It contains valuable information--we will again face the same situation in just 17 months! If, by chance, your organization did not receive a report or additional copies are desired, contact the Portland Office.

SUPREME COURT

We understand Chief Justice Burger holds this view on the CIVIL RIGHTS case, relative to membership of negroes in "PRIVATE" clubs: "The decision will hinge on whether the club is really private."

LIQUOR POLITICAL CONTRIBUTIONS

Any licensee, manufacturer, wholesaler or dealer of the O.L.C.C. is prohibited from contributing to a political party or candidate.

HB 1573 introduced this past session at the request of the Oreg. Restaurant Beverage Association, would have deleted the prohibition against liquor licensees contributing to parties or candidates.

This bill passed the House, but was left to die in SENATE Elections. The Jr. Senator from Marion County, a member of Senate Elections Committee, tried unsuccessfully to get this bill out of committee, but found it was impossible. With a short temper, this Junior Senator said to me: "I will watch, and the first hotel or PRIVATE CLUB that holds a political party in their establishment and does not make a separate charge for room in addition to any other service, they will be turned in to the Liquor Commission for violation of this law. I'll see they are suspended for 21 days."

Remember, had this bill passed, some political candidates would have found a deep well!

FALL DISTRICT MEETINGS

DIST.	DAY & DATE	PLACE	TIME & PROGRAM
1	TUES. 9/23	BEAVERTON ELKS	8:00 PM LUNCH AFTER
2	MON. 9/22	SEASIDE AM.LEG	" " " "
3	SUN. 9/28	McMINNVILLE ELKS	10:30 AM " "
4	MON. 9/8	SPRINGFIELD ELKS	8:00 PM " "
5	MON. 9/29	COQUILLE VALLEY ELKS	N.H.DINNER 6:30 PM MEET. AFTER
6	SUN. 9/14	GR.PASS ELKS	LUNCH @ NOON " "
7	" 9/7	MADRAS ELKS	" " " " "
8	" 9/21	ENTERPRISE ELKS	10:30 AM LUNCH AFTER

We ask each host club to check respective date and advise if for any reason not satisfactory.

NEW MANAGER

Orville Luther, formerly of the CIMMARON in Klamath Falls is new manager of The Dalles Elks. Orville is a brother of Marlin, Manager of Klamath Falls Elks..Good luck, Orville.

ANNUAL MEETING - PENDLETON

Preliminary plans are being made for the Annual Meeting--Oct. 17 and 18. BE SURE to attend. Co-Chr. Harold Kirk and John Hays of Pendleton Elks are going all out to give us that good old "Round UP" welcome!

HEADQUARTERS: IMPERIAL '400' MOTEL--201 SW Court Ave.
Pendleton, Ore. 97801 - Ph. 503-276-5252
FREE RESERVATION SERVICE

PLEASE PATRONIZE OUR ADVERTISERS WHENEVER POSSIBLE—O.N.P.O

Geo.
12-11-64
For your review
Al Cellars

TAX PROBLEMS OF COUNTRY CLUBS

(As appeared in The Journal of Accountacny)
(October, 1964)

Tax-exempt organizations are receiving special attention in Washington. Here are some facts and cautions on one specialized group which may well apply to others.

Most country clubs have been held to be exempt from Federal income tax under the provisions of Section 501 (c) (7) of the Internal Revenue Code. This section provides that clubs organized and operated for pleasure, recreation and other non profitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder, shall be exempt from Federal income tax. The regulations under this section of the Code provide that a club which engages in business, such as making its social and recreational facilities available to the general public, is not organized and operated exclusively for pleasure, recreation and other nonprofitable purposes and is not exempt from Federal income tax.

The Internal Revenue Service has been sending form letters to such organizations pointing out that exempt status for some may be in jeopardy. The letter states that certain organizations have been making social and recreational facilities available for a charge to outside groups or to the general public on a regular, recurring basis.

It is the position of the IRS that where an organization makes its facilities available to outside groups on a regular, recurring basis for the purpose of obtaining funds to benefit its members--by minimizing dues and fees, enlarging its facilities, or otherwise--its exempt status will be jeopardized. Exemption is not jeopardized merely because an organization receives nominal income from non-members and their bona fide guests, or because the general public is occasionally permited to participate in its affairs. Where such participation is incidental to and in furtherance of the club's general purpose, its income will remain exempt.

It has been the practice of some organizations to permit outside groups to use facilities under the sponsorship of a member. Generally the organization bills the sponsoring member who in turn is reimbursed by the group. The position taken by the IRS is that persons composing these outside groups cannot be considered bona fide guests of the sponsoring member and that the club is, in effect, permitting the general public to use its facilities. Where the outside group consists of employees, business associates, customers or other bona fide guests of the member, and the member is reimbursed for the group's expenses by his firm or employer, it is the author's understanding that the IRS does not consider such an arrangement as permitting the general public to use the club's facilities.

The IRS position in this type of situation was announced in a ruling published in October 1960. In that ruling in addition to the above facts, it was stated that over a seven-year period the club's banquet sales on behalf of outside organizations and groups ranged from 12 per cent to more than 17 per cent of total income from all sources, including dues, in each of the years involved. In one of the years, gross profits from these outside activities amounted to 25 per cent of the total gross profit for the year. The number of such outside functions totaled over two hundred during the year. On the basis of these facts the IRS concluded that by making its social facilities available to the general public through its member-sponsorship arrangement, the club could not be treated as being operated exclusively for pleasure, recreation, or other nonprofitable purposes. Accordingly, it was held that the club was no longer qualified for exemption from Federal income taxes.

The form letter mailed to exempt clubs points out that there is no intention to imply that the addressee organization has engaged in prohibited business activities. It is being sent solely as a reminder of the effect which the use of facilities by outside groups or the general public can have on an exempt status.

The IRS is still studying this problem and it is expected to publish another ruling which will set out additional criteria for determining whether or not country clubs are entitled to exemption from Federal income tax. It is anticipated that these additional criteria will not establish any definite percentage or dollar volume of income which will automatically disqualify an organization from exemption.

In addition to the form letter referred to above, many clubs are also receiving a questionnaire from their local district director which is intended to disclose the extent, if any, to which the club derives income from sources other than members. It is understood that the questionnaire is being sent to clubs on what the IRS calls "a selective basis." For example, it is not intended that the questionnaire be sent to clubs whose returns are being examined by revenue agents or where it is obvious to the IRS that they do not need a report on a particular club. However, this decision is made by the individual offices of the District Directors. The questionnaire asks, among other things:

1. Are outside groups allowed to use the club's facilities either through member-sponsorship or other circumstances?

2. If so, how many times have groups used club's facilities in past twelve months and what were the total gross receipts from such groups during past twelve months?

3. Has the club solicited public patronage for any of its activities through advertising?

It appears obvious that an answer to these questions indicating solicitation of business and substantial income from outside groups will precipitate an examination by the IRS which may lead to a revocation of the club's exempt status. It is understood that failue to return the completed questionnaire within a reasonable period of time may also precipitate an examination.

Any action which the IRS may take to revoke a club's exemption can be challenged in the Federal courts. In the past, the courts have sometimes sustained the revocation of exemption where a club has engaged in commercial activities on a large scale. It is uncertain whether the courts will accept the criteria set out in IRS rulings on the subject. It is usually desirable, however, for clubs to operate within these criteria so far as possible, in order to avoid the financial risk, delay and uncertainty inherent in litigation.

TAX ON DUES

All social, athletic or sporting clubs are required to collect an excise tax at a rate of 20 per cent on amounts paid to them from members of the club as dues or membership fees, if the dues and membership fees of an active resident annual member are in excess of $10 per year. If the dues and membership fees of an active resident annual member of the club are in excess of $10 per year, the tax applies not only to the dues and membership fees of an active resident annual member, but also to the dues and membership fees of all other members of the club whether or not the dues and membership fees of the other members are in excess of $10 per year.

A similar tax of 20 per cent is required to be collected on amounts paid as initiation fees required as a condition precedent to membership in a club if (1) such initiation fees are in excess of $10, or (2) the dues and membership fees of an active resident annual member are in excess of $10 per year. If the initiation fee exceeds $10, it is subject to the tax, regardless of the amount of dues and membership fees paid by an active resident annual member. If the dues and membership fees paid by an active resident annual member are in excess of $10 per year, any initiation fee, regardless of the amount, is subject to the tax.

The term "dues or membership fees" means all charges made by a club which are commonly understood to constitute dues or membership fees, as well as all other charges required to be paid to such club for the privilege of being a member of the club or a member of a particular membership class. Also included in the term are all charges by the club for:

1. Social privileges or facilities for any period of more than six days (whether or not consecutive)

2. Golf, tennis, polo, swimming or other athletic or sporting privileges or facilities for any period of more than six days (whether or not consecutive)

Assessments are also considered "dues or membership fees," with the exception of certain payments for construction or reconstruction, or purchase of facilities which are exempt from tax. (These payments will be discussed in a later paragraph.) The term "dues or membership fees" does not include initiation fees or any fine imposed for misconduct or violation of club rules. The term does, however, include a penalty incurred for failure to make prompt payment of dues or membership fees since such a penalty is considered to be an increase in the amount of dues or membership fees required to be paid by a member.

CLUBS REQUIRE MINIMUM AMOUNTS

Many clubs require a member to expend a minimum amount per month or year for food or drink and where such member does not expend the minimum amount, he is billed for the difference between the minimum and the amount he expended. Under such circumstances the minimum required expenditure is considered dues or membership fees, inasmuch as such charge must be paid for the privilege of being a member of the club.

Until last July, the IRS had in private rulings considered variations of the minimum expenditure arrangements and had held that no excise tax liability based on minimum expenditure is incurred where a variable flat service charge is added to the member's account in the following month. The service charge itself is only subject to excise tax. For example, the IRS had held that where an assessment is levied upon members based upon their purchases of food and beverages during a month in accordance with the following table, the indicated minimum of $30 is not subject to tax but only the assessment actually paid.

Amount Spent for Food and Beverages	Assessment
No purchases	$30.00
$5 or less	27.50
$10 or less, but more than $5	22.50
$15 or less, but more than $10	17.50
$20 or less, but more than $15	12.50
$25 or less, but more than $20	7.50
$30 or less, but more than $25	2.50
Over $30	None

However, this benefit to members was removed by the publication in July of a ruling holding that under the above schedule, since the minimum amount each member must spend is $27.50, either through purchases or assessments, that is the base upon which the tax is imposed. In arriving at this conclusion the IRS takes the position that the fullassessment where no purchases are made is not considered in determining the minimum amount a member must spend since he could arrange to spend as little as $27.50.

TAX SERVICES AND FEES

Many club golf pros offer club members the service of cleaning and storing of their golf equipment. Where this service is offered by the pro in his capacity as an independent contractor the charges for this service do not constitute dues or membership fees. However, if the service is provided by the club, any charge made by the club would constitute dues or membership fees if the period for which the charge is made exceeds six days.

The term "initiation fees" includes any payment, contribution, or loan, required as a condition precedent to membership in a club, whether or not such payment, contribution, or loan is evidenced by a certificate of interest or indebtedness, or share of stock, and irrespective of the person or organization to whom paid, contributed or loaned. Where a club requires a withdrawing or retiring member to pay a fee on the transfer of his stock, the transfer fee is not subject to the tax on initiation fees. However, where the club requires a new member to pay the transfer fee, it is taxable.

The determination of what is an "initiation fee" has been the subject of a great amount of litigation in recent years. In general the courts have held that the requirement that a member purchase stock or a bond as a condition precedent to eligibility for a special class of membership makes the cost of the stock or bond an initiation fee for such class of membership. One exception to this general rule involved a situation in which a country club sold bonds to raise money and offered club membership to all purchasers, a number of whom accepted. In this case the court held that the tax on initiation fees for country clubs should be computed on the amount generally paid as an initiation fee and not the face amount of the bonds. It is the author's understanding that the IRS will not follow this decision and will continue to attempt to impose the tax on the amount actually paid by a member as a condition precedent to acquiring his class of membership.

LIFE MEMBERSHIPS

A special set of rules provides two alternative bases for computing the tax imposed on an amount paid for a life membership. If a member does not make the election explained below, the tax on a life membership is equal to the tax upon the amounts paid as dues or membership fees by members of the club having privileges most nearly comparable to those of the person holding the life membership. In lieu of the above tax a life member may elect to pay a tax in the amount of 20 per cent of the payment or payments made for his life membership, whether the payment for the life membership is made by the life member or is made by some other person.

The election must be made not later than the day on which the first amount is paid for the life membership. The election, once made, is irrevocable and must be evidenced by a statement showing:

1. The name and address of the life member

2. The total amount paid or to be paid for the life member

3. The date on which the first payment for the life membership was made and the amount of such payment

4. An assertion by the life member that he elects to pay tax in respect of his life membership computed on the basis of the amount of the payment or payments made or to be made for the life membership

The statement must be signed by the life member and be furnished to the club in which he holds the life membership. The club is required to retain the statement as part of its records and the statement must be available for inspection by revenue officials.

The 20 per cent excise tax on amounts paid as dues or membership fees, initiation fees or for life memberships is not imposed on such payments which are paid:

1. For construction or reconstruction by the club of any social, athletic, or sporting facility owned or leased by it.

2. For construction or reconstruction by the club of any capital addition to, or capital improvement of any such facility.

3. For furnishings or fixtures, such as furniture, drapes, carpeting, refrigerators, etc. (including installation charges), for any such facility, to the extent that such furnishings or fixtures are required, by reason of the construction or reconstruction described in paragraph 1 or 2, for the use of such facility upon completion of such construction or reconstruction.

To qualify for this exemption, amounts paid by members must be earmarked by the club for the above-stated purposes. The most effective "earmarking" for this purpose consists of placing the funds in a separate bank account. It is also deemed desirable that any action on a specific project be approved by the club's governing body and that the members be informed as to what portion of the fees they pay are for exempt purposes, prior to payment by the members.

Amounts paid for the purchase of land or for the purchase of existing facilities do not qualify for exemption from tax. Furthermore, amounts paid for ordinary maintenance or repair are not exempt from tax.

In many situations, the terms "reconstruction," "capital addition" and "capital improvement" are synonymous or overlapping and cannot be distinguished. For example, where a wing is added to a building it is clearly a capital addition. Such addition may, however, require substaintial reconstruction and capital improvements to the existing facilities.

The word "required" as used in relation to furnishings and fixtures, also, does not lend itself to a clear-cut definition. If, for example, furniture and fixtures of an existing lobby were replaced because they were worn out, such cost would not qualify for exemption. However, if the lobby were enlarged, this would be a reconstruction and if in addition, in order to furnish the enlarged lobby with one type of furniture and fixtures all of the furniture and fixtures in the old portion of the lobby were replaced, the entire costs would qualify for exemption. In all cases it is to the advantage of the members of the club that it be shown that as many items as possible are part of one integrated plan rather than to say that after one phase was completed, the second was decided upon, and so forth.

Amounts earmarked for construction, reconstruction, furnishings or fixtures do not retain exemption forever; such amounts must be expended by the club within three years of the time of payment to the club. After the three-year period the club becomes liable for the tax on the unexpended amount, as if the payment had been made on the first day following the expiration of the three-year period.

The club's liability for the tax collected on dues, initiation fees and life memberships is required to be reported to the local district director of Internal Revenue every three months on Form 720. After a club once files Form 720 a preaddressed Form 720 is sent to it by the district director every three months.

The taxes are due and payable without assessment or notice. If a club is liable in any month (except the third month of a quarter) for more than $100 of the taxes listed on Form 720, it is required to deposit such taxes in an authorized local bank or a Federal Reserve bank on or before the last day of the next month. Deposits for the third month of any quarter, and deposits of $100 or less for the first and second month of a quarter, are permissible but not required.

Each deposit must be accompanied by Form 537, Depositary Receipt for Federal Excise Taxes, which will be validated by the Federal Reserve bank and returned to the club. The validated receipts must be attached to Form 720 and any balance of tax due must be remitted with the Form 720 on or before the end of the month following each quarter of the calendar year.

OTHER TAX PROBLEMS

Although the above discussion deals with two major Federal tax problems that confront country clubs, they must not lose sight of the following Federal tax problems that affect some or all members:

1. Federal income tax must be withheld from wages paid employees.

2. Social security taxes are levied on both employers and employees and must be collected by the employer.

3. Federal unemployment tax is imposed under certain conditions.

4. Documentary stamp taxes are required on the issuance and transfer of stocks and bonds where such stock or bond ownership is a condition precedent to membership.

5. Occupational tax on bowling alleys, billiards and pool tables may be payable.

6. Form 990 must be filed if the club is exempt from Federal income tax.

In addition to Federal taxes, clubs must be aware of any state and local tax liability to which they may be subject.

By A. Carl Gasperow

MEMORANDUM FOR CREDIT FILES

4-19-66

SUBJECT: SAFETY DEPOSIT BOX CONTENT
ASTORIA GOLF AND COUNTRY CLUB
ASTORIA BRANCH
U. S. NATIONAL BANK OF OREGON
APRIL 18, 1966

Allen Cellars and Erling Orwick entered the above subject safety deposit box, and found the following contents:

20-2½% U. S. Treasury bonds as $500.00, with coupons #45, due September 15, 1966, through coupons #52 due March 15, 1970 attached. Total face value of bonds is $10,000., and current market value $93. This gives a current market value of $9,300., or a yield of 4.44%.

Five Lower Columbia Dairy capital feed certificates for a total face value of $63.87. In checking with Lower Columbia Dairy, they state certificates through 1945 have been paid. These certificates are payable out of co-op profits, if and when they are able to pay.

Two abstracts of title to property owned by Astoria Golf and Country Club.

Oregon certificate of title for 1948 Ford truck, motor No. 87HT164653.

Deed to property of Country Club as recorded in Book 111, Page 551, July 31, 1923, Clatsop County records.

Certificate of Water Rights, recorded in Book 1, Page 189 of Clatsop County records.

Certificate #3049 covering 4 inch water line along and across Oregon Coast Highway. Permit from State.

Two maps showing water lines and pumping locations for sprinkling systems.

Miscellaneous other letters of no monetary value, or of sufficient importance to record.

Allen Cellars

Erling Orwick

CR-18 1-54

ROBERT JACOB (1926-1960)
GARTHE BROWN
PAUL K. DAVIS
ROBERT W. CHIDESTER

GARTHE BROWN
ATTORNEYS AT LAW
809 STANDARD PLAZA
PORTLAND, OREGON 97204
AREA CODE 503 228-7664

June 15, 1966

Mr. Don Mitchell
President
Astoria Golf and Country Club
Warrenton, Oregon

Dear Don:

This will acknowledge your letter of June 8, 1966, together with the various enclosures therein contained. We have reviewed the contents with Mr. Ellingsen and Mr. Baldwin of the Internal Revenue Service and have been advised by them that the manner in which you have indicated you presently operate is one which would have their approval. However, this is always subject to audit. In reviewing matters of this kind in the Portland office, the Internal Revenue Service opinion, like ours, is of necessity limited by the fact that they have not "checked into" the operation and "confirmed" that the method of handling the receipts of non-resident members and the various other matters are as set forth in our prior letter and in this letter.

I make this statement particularly so that you and the members of the Board, as well as your successors, will cause the various procedures to be policed and particularly will advise the auditor from Yergen & Meyer to check into these matters carefully at the time he audits the books and to advise the Board of any facet of the operation where compliance is not evident. We will retain in our file your letter and the various documents and should any question as to manner of complying recur, we would be pleased to discuss it either with the auditor from Yergen & Meyer or the members of the Board.

The Internal Revenue Service feels that you have endeavored to comply based upon the letter and I am sure that if the same attempt

is continued by the officers and directors to follow the various exemption laws and regulations, that we will have no difficulty in the future in maintaining the exemption.

Yours very truly,

GARTHE BROWN

GB:MRC:by

cc: Mr. George Hauer
Certified Public Accountant
Yergen & Meyer

Astoria Golf and Country Club

Warrenton, Oregon

June 8, 1966

Mr. Garthe Brown
809 Standard Plaza
Portland, Oregon 97204

Re Astoria Golf and Country Club

Dear Brown:

This will acknowledge our many exchanges and, in particular, Allen Cellars' letter of January 21 and yours of January 28.

I believe that we have set up our operating procedures in such a fashion as to fully comply with your recommendations, both as to fact and in spirit. I am taking the liberty of enclosing for your examination the following items:

(1) Copy of amendment to the operating outline of Astoria Golf and Country Club (dated February 1, 1966). This amended outline has been distributed to all operating personnel, as well as all board members, and is currently being used as a guidline in our daily operations.

(2) Letter to membership dated March 31, 1966, and guest card that was forwarded with this letter.

(3) Copy of new register form now being used in the Pro Shop. The receipt form is also being used as a membership card for Temporary Non-Resident Social members.

(4) Copy of stamp which is affixed to the back of receipt forms of the Temporary Non-Resident Social members.

(5) & (6) Copies of form receipts being used to implement and expand the reciprocal guest program.

In addition to the above a register is being kept in the Pro Shop wherein the names of all Temporary Non-Resident Social members are recorded, and in addition a guest log is being maintained in the Club House.

Signs have been prominently placed at the main entrance of the Club House reading: "Members and Guests Only".

Daily re-cap sheets will clearly indicate the source of greens fees; i.e., as to whether social members, guests of members, reciprocal, et cetera, and in turn these breakdowns will be reflected in the general books of the Club.

Income in the Club House will not be broken down in such a manner as the Club House will be made available only to members and bona fide guests. Since mid-January we have not been accepting any public play, nor have the Club House facilities been available to the public.

Again, I would like to stress the fact that we feel we are now operating as a private club and in compliance with recommendations as set forth in your letter of January 28.

If you have any suggestions or comments we would appreciate hearing from you.

Very truly yours,

ASTORIA GOLF AND COUNTRY CLUB

Don Mitchell, President

VK:mr
Enclosures

ROBERT T. JACOB (1926-1960)
GARTHE BROWN
PAUL K. DAVIS
ROBERT G. CHIDESTER

GARTHE BROWN
ATTORNEYS AT LAW
809 STANDARD PLAZA
PORTLAND, OREGON 97204
AREA CODE 503 · 228-7664

December 27, 1965

Astoria Golf and Country Club
Astoria, Oregon

Attention: Mr. V. M. Horgan

Re: Astoria Golf and Country Club
Tax Exempt Status

Dear Mr. Horgan:

In connection with the letter you received dated December 1, 1965, a conference was held between two of the officers of the above club and myself with Mr. Monroe J. Ellingson and Mr. Donald Baldwin, of the Internal Revenue Service.

The problems which you have been experiencing over the past several years in connection with the club, were discussed in detail with the above representatives of the Internal Revenue Service. They were extremely cooperative and understanding of the problems and, subject to your complying with the regulations promulgated by the Commissioner of Internal Revenue under the provisions of Section 1.501(c)(7)-1 of the Internal Revenue Code of 1954, are willing to consider their letter to you, of December 1, 1965, as a warning letter.

In effect, this means that if a subsequent examination should indicate that you have not complied as hereinafter set forth, your tax exempt status could be lost. On the other hand, if you fully comply, your tax exempt status would be continued.

Mr. Ellingson explained that the reason for the letter was the examining agent found that the accounting records maintained by the club of the activities of non-members were such that it was not possible to accurately determine the percentage of club income received from persons not members of the club. We proposed that such matter be discussed with your accountants, Yergen and Meyers, and that they set up methods of accounting as of January 1, 1966, which will properly classify your income, reflecting any green fees from non-members as hereinafter set forth. Further, we agreed that in the event any other type of revenue was received from non-members, the records of the club would accurately reflect such other income.

Secondly, in connection with the retention of the tax exempt status of the club, it was further agreed that a program would be established wherein memberships would be created on some basis that would include the greater part of the present non-member players. In any event, we agreed that we would accept into membership all persons to whom we presently extend membership privileges, also create further membership classifications, all of which we would review with the Internal Revenue Service, and all of which would permit a broadening of the membership base so that the necessary revenue for the club to survive would be realized.

In this respect, it was suggested that temporary monthly memberships be established, which would permit the holders thereof during a monthly period so many plays without the payment of green fees. If he plays more than that number of plays during the month, then he would be charged green fees on the same basis as a guest of any member. All membership classifications would be similarly treated so that one paying his dues on an annual basis would be permitted twelve times the play any time during the year than a monthly member, thereby giving the member paying a full year's dues the privilege of playing during any portion of the year, and, only after playing the minimum plays, would he become subject to the payment of green fees.

We would actively pursue reciprocal arrangements with other golf clubs and issue cards in conjunction therewith permitting reciprocal playing by payment of green fees.

We would continue collecting green fees from guests of members and permitting members to give guest cards on a bona fide basis. We would retain records of such guest cards (players) and set up our accounting records so that it would be possible to determine the amount of green fees from (a) guests of members, (b) reciprocal clubs, (c) members playing more than the amount permitted on their dues, and (d) non-members. In this way, it would be relatively easy for an Internal Revenue Service examining agent to determine the amount of revenue received from non-members and persons not qualified as members.

We would further agree to limit the use of the club house facilities to members, their guests, and members of reciprocal clubs and not permit the use thereof by non-members not accompanied by a member or sponsered by a member.

We have reviewed this letter with Mr. Ellingson and while he is not in a position to formally rule, he has informally advised us that the

contents thereof, if carried out on your part, would result in complete compliance on your part and place you in a position of only having been warned.

Recognizing that further problems may arise, with those of you having the responsibility of carrying out this program, and with your accountants after the board thoroughly considers this letter and with matters basic to the club, as disclosed by your officers attending the Internal Revenue Service meeting, it might be advisable that a conference be set up between your accountants, your board and me to review the above program.

Please advise.

Very truly yours,

Garthe Brown

GARTHE BROWN

GB:WGW:by

cc: Mr. Allen Cellars

ROBERT T. JACOB (1926-1960)
GARTHE BROWN
PAUL K. DAVIS
ROBERT G. CHIDESTER

GARTHE BROWN
ATTORNEYS AT LAW
809 STANDARD PLAZA
PORTLAND, OREGON 97204
AREA CODE 503 · 228-7664

January 28, 1966

Mr. Allen V. Cellars
Bumble Bee Seafoods, Inc.
Astoria, Oregon 97103

Re: Astoria Golf & Country Club

Dear Allen:

This will acknowledge your letter of January 21, 1966. We have reviewed with the Internal Revenue Service the inauguration of your new class of membership to be termed "temporary, non-resident, social". As we understand it, such a member would pay $5.00 annually. Such a member would of necessity be a non-resident of Clatsop County and would not live within, I would assume, 50 miles of the above club. His $5.00 annual dues would give him the privileges of the Club normally accorded a non-resident member - the right to use the Club house facilities and the right to play golf upon payment of the established green fees. He would be obligated to abide by all club rules and could be suspended for the violation of them. He would be permitted to have guests and could issue guest cards on the same basis as a resident member. You would make the same charge for this card, regardless of the month of the year when it was purchased, and it would cover the balance of the calendar year in which it is purchased.

After reviewing this with Mr. Ellingson, he feels that with the following changes that this additional membership would be acceptable to them and would not affect your exempt status.

We reviewed further with him your plans to order guest cards and to maintain a registery for your new type of membership. We further advised him that in your pro shop you would classify all green fees received, from whom received and particularly categorize those received from non-members, which would come within the 5 per cent excluded amount.

We further advised him of your efforts in the reciprocal field in granting privileges to those who grant them to you and the extended use of guest cards, to which he saw no objection.

We do feel that in the recording of green fees received in this category particularly, we should maintain our records between members and non-members, although I would see no reason to segregate them between category of membership if this would be difficult. Likewise, I would assume that your efforts would be to limit your bar, restaurant and other facilities to members and in this way maintain a complete record of all such sums received from non-members at the time when such events occur.

If you can stay within the confines of this letter, I am sure the next examining agent will create no problems. If you have any questions or desire further discussions relative to the above, please contact me at your convenience.

Yours very truly,

Garthe Brown

GARTHE BROWN

GB:by

January 21, 1966

Mr. Garthe Brown
809 Standard Plaza
Portland, Oregon

Re: Astoria Golf & Country Club

Dear Garthe:

Your letter of December 27, 1965 was brought to the attention of the Board of Directors of Astoria Golf and Country Club at their meeting Tuesday, January 18, 1966.

The letter was presented to the Board by the Finance Committee of the Club with a recommendation that the Board adopt all necessary measures to ensure the retention of the Clubs present non-profit status. The Finance Committee specifically proposed that all "public play" be immediately discontinued and that an effort be made to continue the major part of green fee revenue as follows:

1. An extension of Reciprocal Privileges with other private clubs.

2. More active use of guest cards to include the distribution by members to friends of annual guest cards stipulating greens fee payment, observance of club rules and suspension of privileges at any time upon action by the Board of Directors or its representatives.

3. The inauguration of a new class of membership to be termed "Temporary Non-Resident Social". The charge for such a membership would be five dollars annually. A membership card would be issued to the non-resident applicant stating the type of membership, the name of the holder, year of membership, privileges to be accorded (use of clubhouse facilities, use of the course upon payment of established green fees, etc.) and the obligation to abide by club rules, suspension for violation of same, etc. The holder of such a membership would be permitted to have guests. As stated above we contemplate issuing these cards for a calendar year.

The charge would be the same regardless of the date of purchase during the year. There was some sentiment in the Board for having such membership cover a more limited period; one month, three months, etc.

Plans are being made to order guest cards and open a register for the new type of membership. A new register is to be maintained in the Pro Shop in which to classify all greens fees received. It is our intention to develop daily totals for reciprocal, guest, and membership (social, non-resident social, etc.) green fees received as well as any "public"fees. (Such public fees if any would be calculated to be within the 5% when totaled with income from "public use"" of the club house). I question the advisability of maintaining the Reciprocal,guest and membership fee classifications. If they are all within the scope of a non-profit club's activities why carry them?

The club house is to be closed to all non-members except reciprocals and guests with the exception of "within the 5%" occasions.

We do not believe that a register could be maintained and accounts kept of the play of our non-greens fee paying members. We know that violent objections would be encountered from any regular asked to pay green fees because of play above a computed amount. The leadership of the club, support of its functions and an inordinate amount of bar and other income is derived from these loyal members. We don't want to discourage their participation. Our club has a limited membership and must retain such members as much effort is given to encourage more participation by other not so active members.

Inequities exist now between our regular members; some play many times a year, some maintain a membership and play little or not at all. Our green fees now are less than those charged by most other comparable eighteen hole private clubs. We have not been advised that any private club in the Pacific Northwest now charges regular members for frequent play and sincerely hope that we won't be required to initiate an approach that has so many obvious disadvantages.

Our committee will appreciate your comments on these remarks and will be willing to meet with you in Portland if the need arises.

Best regards.

Yours very truly,

Allen V. Cellars
Secretary

AVC:dt

U. S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
PORTLAND, OREGON 97232
830 N. E. Holladay Street
December 1, 1965

IN REPLY REFER TO
414

Astoria Golf and Country Club
Astoria, Oregon

Gentlemen:

We propose to revoke our ruling letter dated March 1, 1945, which granted you exemption from Federal income tax as an organization described in section 101(9) of the Internal Revenue Code of 1939, which corresponds to section 501(c)(7) of the Internal Revenue Code of 1954.

Information available to us indicates that you are making your facilities available to the general public on a regular, recurring basis and that the income from this source constitutes a substantial portion of your gross receipts. Our contention that you are not entitled to tax exemption is based on the following:

Section 1.501(c)(7)-1(b) of the income tax regulations, which states in part:

> "A club which engages in business, such as making its social and recreational facilities available to the general public ... is not organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under section 501(a)."

Revenue Procedure 64-36, Cumulative Bulletin 1964-2, page 962, which states in section 3.01:

> "General Standard---In determining whether the activities of a social club in making its facilities available to the general public are of such magnitude as to constitute engaging in business, a principal factor reflecting the existence of a non-exempt purpose is the amount of gross receipts derived from the use by the general public of a club's facilities."

You have the right to an informal conference. If you would like a conference, please contact Mr. Monroe J. Ellingson, Exempt Organizations Reviewer, whose address and telephone number after December 3, 1965, will be:

Internal Revenue Service
Review Staff
Multnomah Building
319 S. W. Pine Street
Portland, Oregon 97204
Telephone: 226-3361

If you would like a conference, it should be requested within 30 days from the date of this letter.

You may submit a brief of the facts, law and argument in protest to our proposed action. You should also indicate in your reply whether you wish to have a hearing in our National Office if the decision reached at the conference is adverse to you.

Very truly yours,

A. G. Erickson

A. G. Erickson
District Director

October 12, 1966

Gentlemen:

Reappraisals conducted by county assessors in Multnomah and Jackson Counties during 1965 and in Washington, and perhaps other counties during 1966, have resulted in real property taxes of golf courses in those areas being, in some instances, more than doubled. It is now apparent that golf courses throughout the state, if they are to survive, must seek legislative protection to insure that they are not taxed out of existence as is possible under present law. This letter constitutes an open invitation to each golf course in the State of Oregon to join in an attempt to secure enactment of such legislation by the 1967 Legislature.

At a meeting held in Eugene, Oregon, on Wednesday, October 5, 1966, at which some 16 golf courses throughout the state were represented, as well as representatives of the Oregon Association of Nonprofit Clubs, and the Oregon Club Managers Association, an organization in the nature of an unincorporated association was formed, to be known as the Association of Oregon Golf Courses. The purpose and goal of this organization is to secure enactment of legislation which will protect golf courses from future confiscatory taxation.

There are approximately 100 golf courses located within the state of Oregon, excluding pitch and putt and miniature golf courses. If 100 courses participate in this program, the cost of attempting to secure needed legislation should not be prohibitive to any individual course. We contemplate that, depending upon the response to this letter and upon the size, membership, income and volume of play of the course involved, the cost will not be less than $50.00 nor more than $350.00 for any one course.

It should be emphasized that this is not a continuing association. This is a "one shot" plea for participation and eventual contribution in the hope and expectation that we will obtain the needed legislation from the 1967 Legislature. The funds which we will be seeking from you will be used for mailing expense, drafting of legislation and expenses at the Legislature incident to securing enactment of such legislation.

For many golf courses in less populated areas of the state, the problem of reappraisal for tax purposes has not yet arisen, but, based upon what has already occurred, it is now apparent that the problem will face each and every golf course in this state within the next five years. The time to act is now.

The board of the Association of Oregon Golf Courses meets again in Eugene on Monday, October 24, 1966. At that time we must know from each of you whether or not you are prepared to participate in this program.

We do not ask for a firm commitment for financial support in any particular amount as yet; however, if you are interested, and prepared to enthusiastically support our program, aside from financial considerations, upon the terms set forth above, please so indicate on the enclosed, self-addressed post card and see that it is mailed prior to Thursday, October 20, 1960.

You will hear from us again shortly.

Marshall C. Cheney Jr.

MARSHALL C. CHENEY, JR.
Temporary Chairman
Association of Oregon Golf Courses